

LATIN AMERICAN ASSOCIATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020 AND 2019

LATIN AMERICAN ASSOCIATION, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2020, and 2019	3
Statements of Activities for the Years Ended June 30, 2020 and 2019	4
Statement of Functional Expenses for the Year Ended June 30, 2020	5
Statement of Functional Expenses for the Year Ended June 30, 2019	6
Statements of Cash Flows for the Years Ended June 30, 2020 and 2019	7
Notes to Financial Statements	8
Supplemental Information:	
Schedule of State Awards Expended for the Year Ended June 30, 2020	25



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Latin American Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Latin American Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latin American Association, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of State Awards Expended on page 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brooks, McInnis & Company, LLC

Atlanta, Georgia
November 11, 2020

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 607,618	\$ 161,948
Cash and cash equivalents with donor restrictions	286,524	300,136
Notes receivable (Note 3)	8,143	14,904
Accounts and pledges receivable (Note 4)	391,275	397,146
Prepaid expenses	65,823	68,128
Cash designated for endowment (Note 10)	509,977	-
Investments (Note 5)	5,230,209	5,183,028
Property and equipment, net (Notes 1 and 6)	3,522,160	3,709,982
Total assets	\$ 10,621,729	\$ 9,835,272
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 199,443	\$ 135,890
Deferred revenue (Note 7)	162,389	134,760
Paycheck Protection Program loan (Note 8)	462,435	-
Total liabilities	824,267	270,650
Commitments and contingencies (Note 9 and Note 15)		
Net assets:		
Without donor restrictions:		
Available for operations	3,117,605	3,412,310
Board designated for endowment (Note 10)	509,977	-
Total without donor restrictions	3,627,582	3,412,310
With donor restrictions (Note 11)	6,169,880	6,152,312
Total net assets	9,797,462	9,564,622
Total liabilities and net assets	\$ 10,621,729	\$ 9,835,272

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without donor Restrictions	With Donor Restrictions	Total	Without donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:						
Contributions	\$ 1,344,565	\$ 581,129	\$ 1,925,694	\$ 585,995	\$ 326,009	\$ 912,004
Grants	671,689	-	671,689	627,848	-	627,848
Program services	717,823	-	717,823	841,344	-	841,344
Special events	899,562	-	899,562	1,108,255	-	1,108,255
Investment income, net (Note 5)	3,201	212,331	215,532	10,156	259,576	269,732
Rental income	71,100	-	71,100	87,698	-	87,698
Donated facilities (Note 1)	36,000	-	36,000	18,000	-	18,000
Other income	13,845	-	13,845	27,583	-	27,583
	<u>3,757,785</u>	<u>793,460</u>	<u>4,551,245</u>	<u>3,306,879</u>	<u>585,585</u>	<u>3,892,464</u>
Net assets released from restrictions (Note 12)	<u>775,892</u>	<u>(775,892)</u>	<u>-</u>	<u>683,502</u>	<u>(683,502)</u>	<u>-</u>
	<u>4,533,677</u>	<u>17,568</u>	<u>4,551,245</u>	<u>3,990,381</u>	<u>(97,917)</u>	<u>3,892,464</u>
Total revenue, support, and gains						
Expenses:						
Program services	<u>3,512,699</u>	<u>-</u>	<u>3,512,699</u>	<u>3,770,428</u>	<u>-</u>	<u>3,770,428</u>
Supporting services:						
Resource development and fundraising	666,270	-	666,270	811,143	-	811,143
General and administrative	139,436	-	139,436	145,230	-	145,230
Total supporting services	<u>805,706</u>	<u>-</u>	<u>805,706</u>	<u>956,373</u>	<u>-</u>	<u>956,373</u>
Total expenses	<u>4,318,405</u>	<u>-</u>	<u>4,318,405</u>	<u>4,726,801</u>	<u>-</u>	<u>4,726,801</u>
Increase (decrease) in net assets	215,272	17,568	232,840	(736,420)	(97,917)	(834,337)
Net assets at beginning of year	<u>3,412,310</u>	<u>6,152,312</u>	<u>9,564,622</u>	<u>4,148,730</u>	<u>6,250,229</u>	<u>10,398,959</u>
Net assets at end of year	<u>\$ 3,627,582</u>	<u>\$ 6,169,880</u>	<u>\$ 9,797,462</u>	<u>\$ 3,412,310</u>	<u>\$ 6,152,312</u>	<u>\$ 9,564,622</u>

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Resource Development/ Fundraising	General & Administrative	Total Supporting Services	Total
Salaries	\$ 1,832,322	\$ 245,828	\$ 4,235	\$ 250,063	\$ 2,082,385
Taxes and benefits	340,211	41,510	1,616	43,126	383,337
Professional fees/contract labor	440,688	53,957	20,844	74,801	515,489
Depreciation	160,071	24,455	37,794	62,249	222,320
Occupancy	144,859	15,008	35,789	50,797	195,656
Special events	27,142	174,986	-	174,986	202,128
Office expense and supplies	99,241	29,064	2,134	31,198	130,439
Assistance to individuals	319,688	-	-	-	319,688
Textbooks and publications	37,764	11,770	537	12,307	50,071
Travel	19,154	4,719	1,410	6,129	25,283
Marketing	365	41,593	-	41,593	41,958
Insurance	25,694	4,465	10,646	15,111	40,805
Equipment maintenance/rental	16,873	3,917	9,340	13,257	30,130
Telephone	16,711	2,752	6,563	9,315	26,026
Miscellaneous expenses	28,272	7,257	8,517	15,774	44,046
Staff development/conferences	3,644	4,989	11	5,000	8,644
Total expenses	<u>\$ 3,512,699</u>	<u>\$ 666,270</u>	<u>\$ 139,436</u>	<u>\$ 805,706</u>	<u>\$ 4,318,405</u>
	81%	16%	3%	19%	100%

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Resource Development/ Fundraising	General & Administrative	Total Supporting Services	Total
Salaries	\$ 2,052,456	\$ 301,965	\$ 5,555	\$ 307,520	\$ 2,359,976
Taxes and benefits	398,605	59,084	2,223	61,307	459,912
Professional fees/contract labor	436,305	37,808	13,875	51,683	487,988
Depreciation	158,427	24,204	37,406	61,610	220,037
Occupancy	153,559	18,092	43,141	61,233	214,792
Special events	197,625	230,445	-	230,445	428,070
Office expense and supplies	70,803	36,700	2,166	38,866	109,669
Assistance to individuals	109,415	-	-	-	109,415
Textbooks and publications	57,762	19,068	1,138	20,206	77,968
Travel	43,699	10,004	1,677	11,681	55,380
Marketing	-	29,921	-	29,921	29,921
Insurance	23,905	4,884	11,646	16,530	40,435
Equipment maintenance/rental	21,528	4,511	10,757	15,268	36,796
Telephone	18,818	3,324	6,516	9,840	28,658
Miscellaneous expenses	22,658	8,232	9,116	17,348	40,006
Staff development/conferences	4,863	22,901	14	22,915	27,778
Total expenses	\$ <u>3,770,428</u>	\$ <u>811,143</u>	\$ <u>145,230</u>	\$ <u>956,373</u>	\$ <u>4,726,801</u>
	80%	17%	3%	20%	100%

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 232,840	\$ (834,337)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	222,320	220,037
Net realized and unrealized investment gain	(128,641)	(240,906)
Changes in assets and liabilities:		
Decrease in:		
Notes receivable	6,761	4,961
Accounts receivable	5,871	48,608
Prepaid expenses	2,305	74,715
Increase (decrease) in:		
Accounts payable and accrued expenses	63,553	(11,722)
Deferred revenue	27,629	(92,445)
Net cash provided by (used in) operating activities	432,638	(831,089)
Cash flows from investing activities:		
Acquisition of property and equipment	(34,498)	(8,111)
Proceeds from sale of investments	165,150	413,150
Purchase of investments	(83,690)	(18,670)
Net cash provided by investing activities	46,962	386,369
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	462,435	-
Net cash provided by financing activities	462,435	-
Net increase (decrease) in cash and cash equivalents	942,035	(444,720)
Cash and cash equivalents - beginning of year	462,084	906,804
Cash and cash equivalents - end of year	\$ 1,404,119	\$ 462,084

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

The Latin American Association, Inc. (the Association) empowers Latinos to adapt, integrate and thrive. Founded in 1972 to serve Atlanta's then-emerging Latino population, the Association has grown to become the region's leading agency representing Latino issues. The 47-year history and community-based mission of the Association renders the organization truly unique in its work and capabilities. The Association is the largest, most trusted and only fully bilingual agency in the region dedicated primarily to the needs and concerns of the Latino community. The Association provides a comprehensive menu of social and legal services and impacts over 40,000 individuals each year.

Method of Reporting

The Association's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on stipulations made by the donor.

Contributions

Unconditional promises to give and contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of donor restrictions in accordance with GAAP.

The Association reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions expire in the same reporting period as received are reported as contributions without donor restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as contributions without donor restrictions and pledges receivable.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

The Association records gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations regarding the duration that the long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

If donated services either created or enhanced non-financial assets or required specialized skills that would need to be purchased if not donated, the value of those donated services would be recorded. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time in the Association's programs and supporting services. The Association utilized one rent-free facility for a satellite location during the years ended June 30, 2020 and 2019. The estimated value of the donated rent was \$36,000 and \$18,000 for the years ended June 30, 2020 and 2019, respectively.

Investments

In conformity with GAAP, all investments in equity securities with a readily determinable market value and all investments in debt securities are reported at fair market value with gains and losses included in the statements of activities. Marketable securities acquired by gift are recorded at their fair market value on the date of receipt.

Property and Equipment

It is the policy of the Association to capitalize property and equipment in excess of \$1,000. The cost of property, buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Buildings are depreciated over 30 years, and other Association property is depreciated over lives ranging from 5 to 15 years.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated on a square foot basis include utilities, repairs and maintenance, communications, information technology, insurance, office expenses, and depreciation. Salaries and wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association is a nonprofit organization exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). In the opinion of management, the Association continues to operate as a tax-exempt organization and, accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. Income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2020 and 2019, the Association did not have any unrelated business income, and accordingly, no unrelated business income tax. The Association believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association's income tax returns are subject to examination by the appropriate regulatory authorities, and as of June 30, 2020, the Association's federal tax returns remain open to examination for the last three (3) years.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with two financial institutions. For the purposes of the statements of cash flows, the Association considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Nature of Organization and Significant Accounting Policies – Continued

Concentration of Credit Risk

The balances in the Association's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019, the cash balance exceeds the FDIC limit by \$962,467 and \$127,561 respectively.

Investments are protected by the Securities Investor Protection Corporation (SIPC), which protects the investor against fraudulent transactions and brokerage firm insolvency. The SIPC provides up to \$500,000 in securities protection per customer that includes protection for up to \$250,000 in un-invested cash. At June 30, 2020 and 2019, the Association's investment accounts exceeded this amount by \$4,785,886 and \$4,735,772, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

2. Liquidity and Availability of Financial Assets

The Association is substantially supported by contributions without donor restrictions, investment income, program service fees, and special events. However, a material amount of contributions with donor restrictions are received each year for various programs as well as investment income on endowment investments that are restricted by donors. As a donors' restrictions require funds to be used in a particular manner or in a future period, the Association maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, related financial assets are not available to the Association for its general expenditures. The Association considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, general and administrative , or resource development and fundraising purposes.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. Liquidity and Availability of Financial Assets – Continued

The Association's financial assets at June 30, 2020 (reduced by amounts not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,404,119	\$ 462,084
Notes receivable	8,143	14,904
Accounts and pledges receivable	391,275	397,146
Investments	<u>5,230,209</u>	<u>5,183,028</u>
Total financial assets	7,033,746	6,057,162
Less:		
Cash restricted for long-term purposes	(358,068)	(358,068)
Cash designated for long-term purposes	(509,977)	-
Purpose restriction of investments	(925,247)	(877,566)
Perpetual restriction on investments	<u>(4,140,464)</u>	<u>(4,140,464)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,099,990</u>	\$ <u>681,064</u>

The Association has incurred significant operating losses over the last several years prior to fiscal 2020. As a result, the Association has implemented specific plans to improve the cash flow and increase profitability through cost reduction measures and the identification of new sources of revenues. Additionally, the Association has a line of credit with maximum draws of \$350,000 as further discussed in Note 8. The line of credit is available for working capital needs and to fund releases of donor restrictions during periods of constricted cash flows.

The Association's governing body has also designated a portion of its cash without donor restrictions for an endowment fund for operating reserves. These assets remain available and may be spent at the discretion of the governing body. Additionally, the Association obtained a Paycheck Protection Program loan that is expected to be forgiven in fiscal 2021 as further discussed in Note 8.

During 2020, the global coronavirus pandemic threatened to deeply harm global growth. This has affected the U.S. and global equity markets, as well as consumer confidence, and the broad U.S. and global stock markets have experienced extreme volatility during 2020. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, investments, funding, and contribution income of nonprofit organizations in the near future.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. Liquidity and Availability of Financial Assets – Continued

The Association depends heavily on contributions and investment income to support its operations. The ability of contributors to continue giving may be dependent on current and future overall economic conditions. The volatility in the U.S. and global stock markets could result in a decrease in investment income available for distribution. While the Association believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many interdependent factors.

3. Notes Receivable

Notes receivable include small business loans given out to Latina entrepreneurs at an interest rate of 5% totaling \$8,143 and \$14,904 at June 30, 2020 and 2019, respectively. The Association has determined that all amounts recorded as notes receivable are collectible; accordingly, no allowance for doubtful accounts has been established. Expected collection of notes receivable are as follows:

<u>Year Ended June 30:</u>	
2021	\$ 6,224
2022	<u>1,919</u>
	<u>\$ 8,143</u>

4. Accounts and Pledges Receivable

Accounts receivable consist of the following at June 30:

	2020	2019
United Way pledge	\$ 75,000	\$ 84,240
Grants and government contracts	181,921	208,952
Special events	83,040	97,216
Contributions receivable	49,814	-
Other	<u>1,500</u>	<u>6,738</u>
Total accounts and pledges receivable	<u>\$ 391,275</u>	<u>\$ 397,146</u>

The Association has determined that all amounts recorded as accounts and pledges receivable are collectible; accordingly, no allowance for doubtful accounts has been established.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. Investments

The Association classifies its investment assets in accordance with GAAP which establishes a hierarchy of inputs to fair value measurements, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2020 and 2019, the Association held direct investments in equity securities consisting exclusively of investments in mutual funds. Accordingly, the Association's direct investments in equity security investments are Level 1 investments. The Association's investment composition at June 30, 2019 includes real estate mutual funds, short term bond mutual funds and alternative investment funds that are actively traded and are Level 1 investments. The real estate and alternative investments have been divested as of June 30, 2020. Additionally, at June 30, 2020 and 2019, the Association held money market funds and cash comprising approximately 3.4% and 2.2% of total investment assets, respectively. Money market funds are carried at their cost value, which approximates fair value.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. Investments —Continued

Cost and fair market value of investments are summarized in the table below:

	Fair Value Hierarchy Level	Cost	Unrealized Appreciation (Depreciation)	Fair Market Value
<u>June 30, 2020</u>				
Domestic equity mutual funds	1	\$ 2,438,352	\$ 534,205	\$ 2,972,557
International equity mutual funds	1	802,557	3,190	805,747
Fixed income domestic mutual funds	1	1,096,550	(19,274)	1,077,276
Fixed income international mutual funds	1	210,000	(10,960)	199,040
Money market - treasury obligations	1	175,589	-	175,589
Total investments		<u>\$ 4,723,048</u>	<u>\$ 507,161</u>	<u>\$ 5,230,209</u>
<u>June 30, 2019</u>				
Domestic equity mutual funds	1	\$ 2,626,122	\$ 961,848	\$ 3,587,970
International equity mutual funds	1	918,486	51,605	970,091
Money market - treasury obligations	1	63,427	-	63,427
Real estate mutual funds	1	364,937	12,494	377,431
Alternative investment funds	1	180,000	4,109	184,109
Total investments		<u>\$ 4,152,972</u>	<u>\$ 1,030,056</u>	<u>\$ 5,183,028</u>

The components of investment income consists of the following for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 128,641	\$ 74,770
Net realized and unrealized gains	131,912	241,851
Investment management fees	<u>(45,021)</u>	<u>(46,889)</u>
	<u>\$ 215,532</u>	<u>\$ 269,732</u>

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

6. Property and Equipment, Net

Components of property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,151,846	\$ 1,151,846
Buildings	5,932,802	5,932,802
Furniture and fixtures	231,944	231,944
Equipment	481,886	447,388
Vehicles	<u>28,597</u>	<u>28,597</u>
	7,827,075	7,792,577
Less accumulated depreciation	<u>(4,304,915)</u>	<u>(4,082,595)</u>
Total property and equipment, net	<u>\$ 3,522,160</u>	<u>\$ 3,709,982</u>

Depreciation expense was \$222,320 and \$220,037 for the years ended June 30, 2020 and 2019, respectively .

7. Deferred Revenue

Deferred revenue represents funds received during the current year for events that will occur in the next fiscal year. Deferred revenue consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Latin Fever Ball	\$ 32,500	\$ 96,000
Latina Empowerment	10,964	-
Career Expo	5,665	-
State of Latinos	63,750	2,500
Youth Conference	-	15,900
Rent	3,772	6,580
Tuition	14,293	13,780
Grants	24,073	-
Other	<u>7,372</u>	<u>-</u>
Total deferred revenue	<u>\$ 162,389</u>	<u>\$ 134,760</u>

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. Debt

In May 2019, the Association obtained a line of credit with maximum draws of \$350,000 and a maturity date of May 30, 2021. The interest rate on the line of credit is equal to the prime rate plus 1%. There were no draws on this line of credit during fiscal 2019 or 2020. The line of credit is available for working capital needs and to fund releases of donor restrictions during periods of constricted cash flows.

In April 2020, the Association obtained a loan from the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP) to assist with operating cash flow during the pandemic. As of June 30, 2020, the Association has spent a portion of the proceeds on eligible amounts and management intends to spend the remaining proceeds on eligible amounts that will qualify for loan forgiveness in fiscal 2021. Any portion of the loan not forgiven will require repayment to the SBA within five years at an interest rate of 1.0%. The total received in 2020 was \$462,435 and has been recorded as a loan in the statement of financial position. Management expects that the loan will be forgiven in fiscal 2021 and the related gain on extinguishment of debt will be recorded at that time.

9. Lease Commitments

The Association leases office space and certain office equipment under operating lease agreements. Total rent expense under these leases was \$45,630 and \$63,200 for the years ended June 30, 2020 and 2019, respectively. Following are the future minimum annual lease payments under the terms of these leases for the years ended:

<u>June 30:</u>	
2021	\$ 53,219
2022	34,862
2023	27,579
2024	<u>25,529</u>
	<u>\$ 141,189</u>

10. Board Designated Net Assets

Net assets without donor restrictions at June 30, 2020 include \$509,577 for a board designated endowment fund. There were no board designated net assets at June 30, 2019.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2020	2019
Purpose restrictions:		
Program and support services	\$ 360,926	\$ 381,299
Building fund	283,745	283,745
United Way	75,000	84,240
Immigration	123,155	113,658
Outreach services	988,159	957,794
General operations	198,431	191,112
Total net assets with purpose restrictions	2,029,416	2,011,848
Restrictions perpetual in nature:		
Immigration	1,142,500	1,142,500
Outreach services	2,495,364	2,495,364
General operations	502,600	502,600
Total restrictions perpetual in nature	4,140,464	4,140,464
Total net assets with donor restrictions	\$ 6,169,880	\$ 6,152,312

A contribution with restrictions perpetual in nature in the amount of \$1,790,717 was received from a foundation during the year ended June 30, 2005. Additional perpetually restricted contributions were received in the amount of \$704,647 during the year ended June 30, 2014, \$502,600 during the year ended June 30, 2016, and \$1,142,500 during the year ended June 30, 2017. The grant agreements stipulate that each year an amount representing earnings on the endowment will be used for designated purposes which is consistent with the Association's spending policy for endowment funds. Disbursements of \$165,150 and \$193,150 were made in accordance with the Association's spending policy for the years ended June 30, 2020 and 2019, respectively. These disbursements were approximately 3-4%, for both of the years ended June 30, 2020 and June 30, 2019 of the endowment fund's average fair value over the prior years.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

12. Net Assets Released from Restrictions

Net assets with donor restrictions were released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors as follows for the years ended June 30:

	2020	2019
Program and support services	\$ 526,502	\$ 391,139
United Way	84,240	99,213
Immigration	42,750	70,750
Outreach services	101,400	101,400
General operations	21,000	21,000
Total net assets released from restrictions	\$ 775,892	\$ 683,502

13. Endowed Net Assets

The Association's endowment consists of one fund established for annual support of outreach services, one fund for immigration services, and one fund established for annual operating support. As required by GAAP, net assets associated with endowment funds, including funds designated by the Association's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Association's endowment net asset composition is as follows as of June 30:

	2020	2019
With donor restrictions for purpose	\$ 1,309,745	\$ 1,262,564
With donor restrictions perpetual in nature	4,140,464	4,140,464
Total endowed net assets	\$ 5,450,209	\$ 5,403,028

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. Endowed Net Assets – Continued

Changes in the Association’s endowment for the year ended June 30, 2020 are as follows:

	With Donor Restrictions for Purpose	With Donor Restrictions Perpetual in Nature	Total
Beginning balance	\$ 1,262,564	\$ 4,140,464	\$ 5,403,028
Disbursements	(165,150)	-	(165,150)
Interest & dividends	128,116	-	128,116
Investment gains (realized and unrealized)	128,641	-	128,641
Management fees	(44,426)	-	(44,426)
Ending balance	<u>\$ 1,309,745</u>	<u>\$ 4,140,464</u>	<u>\$ 5,450,209</u>

Changes in the Association’s endowment for the year ended June 30, 2019 are as follows:

	With Donor Restrictions for Purpose	With Donor Restrictions Perpetual in Nature	Total
Beginning balance	\$ 1,196,138	\$ 4,140,464	\$ 5,336,602
Disbursements	(193,150)	-	(193,150)
Interest & dividends	63,403	-	63,403
Investment gains (realized and unrealized)	240,906	-	240,906
Management fees	(44,733)	-	(44,733)
Ending balance	<u>\$ 1,262,564</u>	<u>\$ 4,140,464</u>	<u>\$ 5,403,028</u>

During fiscal 2019, the Association obtained the donor’s approval to borrow \$220,000 from the endowment fund for cash flow purposes. The \$220,000 continues to be included in the endowment assets with donor restrictions at June 30, 2020 and 2019. Management repaid these funds subsequent to year end in September 2020.

The Association’s Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. Management is in process of updating its current investment policy statement. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified period(s) as well as endowed board designated funds. There were no endowed board designated funds as of June 30, 2020 or 2019.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. Endowed Net Assets – Continued

Under this policy as approved by the Board of Directors, the endowed assets are invested in a manner that is intended to maximize the results while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation for all of its investments that is as follows: 30-40% of the total asset value is invested in bonds and cash and 60-70% of the total asset value is invested in equities. However, the pursuit of this allocation is constrained by a policy of not investing non endowment net assets in equities. To pursue the targeted allocation, the portfolio is rebalanced on a semi-annual basis. These asset allocations are accomplished by the investment manager through investing in multiple mutual funds comprised of equities or fixed income investment instruments.

Spending Policy

The Association has a policy of appropriating for distribution each year 2.0% to 4.5% of its endowment fund's average fair value over the prior year. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at an annual average rate of 1.5% to 6.0%. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide a margin of real growth through favorable investment return as well as additional real growth through new gifts.

Interpretation of Relevant Law

The Association follows the requirements of Georgia's Uniform Prudent Management of Institutional Funds Act (the Act). The Association has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. Consistent with the spending policy described above which has been approved by the donor, the Association is not required to preserve the fair value of the original gift, as long as it adheres to the spending policy and invests in funds prudently. Nevertheless, in accordance with GAAP, the Association classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. Endowed Net Assets – Continued

Interpretation of Relevant Law – Continued

In accordance with the Act, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Association and the endowment with donor restrictions fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Association.
- (7) The investment policies of the Association.

14. Retirement Plans

All full and part-time employees who are at least 21 years of age and who have worked for the Association for at least two years are eligible to participate in a non-contributory simplified employee pension plan (SEP).

The Association did not incur any pension expense for the years ended June 30, 2020 and 2019. In addition, all full and part-time employees are eligible to participate in the Association's tax deferred annuity plan (TDA). Employee contributions to the plan are deducted from gross salaries before they are taxed. Investment choices provide for benefit payments in the form of an annuity, specified payment option (SPO), or a single lump sum. This plan is administered for the Association by a third-party trustee.

15. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Association deems the contingency unlikely.

16. Related Party Transactions

In fiscal 2019, the Association opened a new outreach center in Dalton, Georgia. A member of the Association's Board of Directors works for the organization that has donated the office space in which the center is located. Donated rent for this location was \$36,000 and \$18,000 for the year ended June 30, 2020 and 2019, respectively.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

17. Subsequent Events

Management has evaluated events and transactions which occurred through November 11, 2020, which was the date the financial statements were available to be issued. As a result of that evaluation, management determined that there were no events or transactions that would require recognition or disclosure, except the repayment of the endowment loan as further discussed in Note 13.

LATIN AMERICAN ASSOCIATION, INC.

OTHER INFORMATION AS REQUIRED
BY THE STATE OF GEORGIA

LATIN AMERICAN ASSOCIATION, INC.
SCHEDULE OF STATE AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2020

<u>State Contract Number</u>	<u>Earned Revenues</u>	<u>Receipts</u>	<u>Due From State Agency</u>
Contract # 10-96555 DeKalb County CDBG	\$ 20,835	\$ 14,339	\$ 6,496
Contract # 174000129 Emergency Food and Shelter Program DeKalb/Fulton	3,500	3,500	-
Contract # 42700-040-000087477 State of Georgia SNAP	338,945	273,997	64,948
Contract # E-18-UC-13-0004 Gwinnett County Emergency Solutions	21,138	7,740	13,398
Contract # 191400005 Emergency Food and Shelter Program Gwinnett	3,358	3,358	-
Contract # E-20-UC-13-0008 Cobb County Emergency Solutions	16,312	7,567	8,745
Contract # B-19-MC-13-0011 Criminal Justice Coordinating Council - Victims of Crime (VOCA)	49,650	37,730	11,920
Contract # C18-8-273 Criminal Justice Coordinating Council - Victims of Crime (VOCA) - COVID-19	21,625	-	21,625
Contract # 184000013 Emergency Food and Shelter Program Cobb	20,000	20,000	-
City of Brookhaven	42,625	31,000	11,625
Cobb Community Services Block Grant	6,488	6,488	-
DeKalb Human Service	7,384	3,593	3,791
Contract # M-20-UC-13-0210 Gwinnett Homes	13,000	8,000	5,000
Contract # C17-8-243 Dalton CDBG	18,800	14,427	4,373
Contract BOC # 20-0132 Fulton County Community Services Program	49,780	49,780	-
	<u>\$ 633,440</u>	<u>\$ 481,519</u>	<u>\$ 151,921</u>

See Independent Auditor's Report – Other Matter